

# **FISCAL MEMORANDUM**

## **SB 2793 – HB 2973**

April 1, 2008

**SUMMARY OF AMENDMENT (015452):** Requires the state to pay at least 50 percent of health insurance premiums on behalf of all eligible local education (LEA) agency employees. Currently, the state is required to pay on an amount in the annual appropriations bill not a specified percentage. Specifies LEAs' use of BEP insurance premium component for FY08-09. If an LEA pays less than 80 percent of the premium collected in FY07-08, then increased state BEP funds shall be used to increase the premium. If an LEA paid 80 percent of the premium collected, then the increase in BEP funds shall be used for an increase in other employee benefits.

### **FISCAL IMPACT OF ORIGINAL BILL:**

Increase Local Expenditures\* - \$30,039,900

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Expenditures - \$24,785,300**

Assumptions applied to amendment:

- According to DOE, the state will only pay for those LEA employees funded through the BEP. State BEP funding will not increase as a result of this bill.
- According to the Department of Education (DOE), the Department of Finance and Administration (F&A), and the Comptroller, the state currently pays an average of 45 percent of each eligible employee's premium.
- According to F&A, the 2008 average insurance premium per employee is \$8,043.12. Raising the state paid amount to 50 percent from 45 percent will be an increase of approximately \$402 per employee ( $\$8,043 \times 5\% = \$402$ ).
- Approximately 61,655 employees are funded through the BEP. The total increase in state expenditures will be \$24,785,310 ( $61,655 \text{ employees} \times \$402 = \$24,785,310$ ).

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- Requiring LEAs to use all BEP insurance component funds for insurance premiums will have no impact on the BEP funding formula.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

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